

## Message Text

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PASS COMMERCE , EXIMBANK

E.O. 11652: NGDS

TAGS: ETRD ENRG UR US

SUBJ: STATUS OF OCCIDENTAL PETROLEUM PROJECT NEGOTIATIONS

WITH USSR

REF: A) MOSCOW; B) MOSCOW 5824

1. IN ADDITION TO CONCLUSION OF TRADE CENTER DESIGN CONTRACT (REF B) DURING FIVE-DAY VISIT TO MOSCOW OCCIDENTAL CHAIRMAN HAMMER REVIEWED STATUS OF OTHER OCCIDENTAL PROJECTS IN USSR.

2. TRADE CENTER. NEXT STEP WILL BE NEGOTIATION OF CONSTRUCTION CONTRACT INVOLVING OCCIDENTAL AND BECHTEL AS TECHNICAL SUPERVISORS AND ALSO CONTRACT FOR PURCHASE BY OCCIDENTAL OF ABOUT DOLS 70 MILLION OF US EQUIPMENT, MATERIALS AND FURNISHINGS. RISING COSTS MAY FORCE SOME REVISIONS IN PROJECT OR REQUEST FOR ADDITIONAL FINANCING.

3. FERTILIZER COMPLEX. PROGRESS SERIOUSLY THREATENED BY DELAY IN EX-IM APPROVAL OF FINANCING AND IMPACT OF INFLATION ON EQUIPMENT AND RAW MATERIAL PROCES. PRELIMINARY COMMITMENTS FOR BOTH EX-IM AND COMMERCIAL BANK SYNDICATED PROTIONS

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OF DOLS 360 MILLION EQUIPMENT CREDITS WILL EXPIRE IN MAY,

AND OCCIDENTAL-USSR AGREEMENT ON COMPLEX EXPIRES JUNE 1. SKYROCKETING PRICES HAVE FORCED DIFFICULT RE-NEGOTIATIONS WITH US SUPPLIERS. INCREASES IN PRICES OF PHOSPHATES AND AMMONIA WILL REQUIRE REVISIONS OF PLANS FOR TWENTY-YEAR, EIGHT-BILLION DOLLAR BALANCED EXCHANGE OF SOVIET AMMONIA FOR US PHOSPHATES PLANNED IN 1973. FOLLOWING TALKS BETWEEN HAMMER AND SOVIET DEPUTY FOREIGN TRADE MINISTER KOMAROV, OCCIDENTAL NO LONGER INVOLVED IN CONSTRUCTION OF FERTILIZER PLANTS AT KUIBYSHEV. IT WILL, HOWEVER, BE RESPONSIBLE WITH BECHTEL FOR CONSTRUCTION AND SUPPLY OF EQUIPMENT FOR AMMONIA PIPELINES FROM ODESSA TO KUIBYSHEV AREA AND FOR ALL OTHER SUPPORT INFRASTRUCTURES FOR COMPLEX.

4. YAKUTSK NATURAL GAS PROJECT. NOT DISCUSSED. NO CHANGE SINCE FEBRUARY TALKS IN WASHINGTON.

5. GOLF COURSE. OCCIDENTAL WILL DONATE DOLLAR COSTS FOR GOLF COURSE TO BE BUILT NEAR MOSCOW. (REFTEL A).

6. COMMENT. IN CHARACTERISTIC, SUPER-TYCOON FASHION, HAMMER FLEW OUT OF MOSCOW EVENING OF APRIL 19 FOR NIGERIA WHERE HE IS INVOLVED WITH HOLIDAY INN AND BECHTEL INK CONSTRUCTION OF MODERN HOTEL. HE EXPECTS TO BE IN WASHINGTON ON APRIL 25 OR 26 TO APPEAR AT SENATE FINANCE COMMITTEE HEARINGS ON TRADE BILL. DESPITE FORMIDABLE DELAYS AND PROBLEMS PLAGUING FERTILIZER PROJECT, AND LACK OF MOVE MENT ON PLANS FOR EXPLOITATION OF NATURAL GAS, WE BELIEVE THAT HAMMER HAS TO SOME EXTENT MANAGED TO SALVAGE HIS IMAGE WITH SOVIETS BY MAKING REASONABLY GOOD PROGRESS ON TRADE CENTER. SIGNING OF DESIGN CONTRACT AT MINISTRY OF FOREIGN TRADE WAS STAGED WITH APPROPRIATE PUBLICITY AND SPEECHES, AND AT LEAST CONSTITUTED TANGIBLE ACHIEVEMENT. TRADE CENTER CONSTRUCTION, ALONG WITH GOLF COURSE, WILL GIVE OCCIDENTAL HIGH VISIBILITY SUCCESS SYMBOLS IN MOSCOW AREA, EVEN IF PROJECTS FOR OTHER PARTS OF USSR MUST REMAIN PRIMARILY ON DRAWING BOARDS FOR TIME BEING.

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## Message Attributes

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